

companies, ranging in size from approximately 500 to 64,000 access lines, is an incumbent local exchange carrier (ILEC). TDS Telecom served approximately 571,700 access lines through its ILEC subsidiaries at December 31, 1999 in 28 states. Its Minnesota ILEC operations represent 30,435 access lines or 5.3 percent of its ILEC operations. CLEC activities are conducted in Wisconsin under the name TDS METROCOM, and in Minnesota under the name USLink. TDS serves approximately 74,100 customers through its CLEC subsidiaries.

As a wholly-owned subsidiary of TDS, TDS Telecom's financial qualifications are reflected in the financial statements of its parent. TDS' financial statements reflect impressive operating results, cash flows and financial position. The financial statements included in TDS' Securities and Exchange (SEC) Form 10-Q for the quarterly period ended September 30, 2000 were examined. TDS had operating income of \$345 million and cash flows from operations of 598 million for the nine months ended September 30, 2000. Its working capital ratio was negative; however, its capital structure has a \$4.4 billion of equity and \$1.2 billion of long-term debt.

TDS is restating its financial statements to reflect the appropriate accounting treatment for the minority share of income or loss of consolidated companies. The cumulative effect of this adjustment for the year 1993 through September 30, 2000 decreases net income from continuing operations, increases net income from discontinued operations, and decreases the gain reported in conjunction with May 4, 2000 merger of Aerial Communications, Inc. The restatement does not change the favorable financial assessment of TDS.

As a wholly-owned subsidiary of Chorus, HBC's financial qualifications are reflected in the financial statements of its parent. Chorus' financial statements reflect a strong company that will not threaten the financial viability of TDS. Its balance sheet on December 31, 1999 shows that Chorus had positive working capital and a strong equity position; long-term debt was \$24.2 million and shareholder equity was \$30.9 million. Its statements of shareholder equity and income report net income of \$5.1 million in 1997, \$5.2 million in 1998, and \$3.7 million in 1999. Cash flows from operations were \$9.2 million in 1999, \$10.2 million in 1998, and \$8.9 million in 1997.

Chorus' updated financial statements indicate weaker results. The financial statements in Chorus' SEC Form 10-Q for the quarter ended September 30, 2000 indicates a decline in Chorus' working capital position, operating income, and cash flows from operating activities. The decline in revenues was attributed to the decision to eliminate personal desktop computers from the Company's sales offerings, offset by increases in Internet and CLEC operating revenues. Increased expenses were associated with expanding CLEC operations. Despite the decline in 2000, Chorus maintained its capital structure and continues to be a profitable and financially secure acquisition for TDS.

C. TDS AND CHORUS HAVE COMPLIED WITH THE STATUTORY REQUIREMENTS FOR THE PROPOSED TRANSFER OF CONTROL

TDS and Chorus acknowledge that Commission approval is required for the proposed transaction. This transaction is not expected to close until March 2001. The request to transfer control of HBC to TDS meets the requirement for prior Commission approval before the proposed merger as required by Minn. Stat. § 237.74, Subd. 12.

V. RECOMMENDATION

Approve the transfer of control of HBC Telecom, Inc. to Telephone and Data Systems, Inc.

HBC Telecom, Inc. retains its certificate of authority to provide local exchange service in Minnesota.

/jl

Exhibit D

<u>Company</u>	<u>Exchanges</u>	<u>Access Lines</u>
Mid Plains	3	36,202
Farmers	4	7273
Dickeyville	1	1463
		44,938



Exhibit E

<u>Division</u>	<u>Business Office</u>	<u>Exchange</u>	<u>Access Lines</u>
Wisconsin	ALMA	ALMA	1234
Wisconsin	BLACK EARTH	BLACK EARTH	1636
Wisconsin	BONDUEL	BONDUEL	2126
Wisconsin	CLEVELAND	CLEVELAND	1569
Wisconsin	CLEVELAND	HOWARDS GROVE	2809
Wisconsin	FENNIMORE	BAGLEY	484
Wisconsin	FENNIMORE	BLOOMINGTON	971
Wisconsin	FENNIMORE	FENNIMORE	2113
Wisconsin	FENNIMORE	MT HOPE	537
Wisconsin	FENNIMORE	WOODMAN	138
Wisconsin	IOLA	IOLA	2239
Wisconsin	IOLA	SCANDINAVIA	601
Wisconsin	JOHNSON CREEK	JOHNSON CREEK	2745
Wisconsin	JOHNSON CREEK	REESEVILLE	1243
Wisconsin	MEDFORD	DORCHESTER	1147
Wisconsin	MEDFORD	MEDFORD	5980
Wisconsin	MEDFORD	PERKINSTOWN	798
Wisconsin	MEDFORD	STETSONVILLE	1054
Wisconsin	MONROE	ALBANY	1200
Wisconsin	MONROE	BLANCHARDVILLE	1058
Wisconsin	MONROE	BROWNTOWN	613
Wisconsin	MONROE	JUDA	535
Wisconsin	MONROE	MONROE	12667
Wisconsin	MONROE	MONTICELLO	1140
Wisconsin	MONROE	SOUTH WAYNE	573
Wisconsin	MONROE	WOODFORD	129
Wisconsin	NEILLSVILLE	CHILI	479
Wisconsin	NEILLSVILLE	GRANTON	789
Wisconsin	NEILLSVILLE	GREENWOOD	1870
Wisconsin	NEILLSVILLE	NEILLSVILLE	4205
Wisconsin	NEW MUNSTER	BOHNERS LAKE	1935
Wisconsin	NEW MUNSTER	WHEATLAND	2362
Wisconsin	SHERWOOD	HILBERT	51
Wisconsin	SHERWOOD	SHERWOOD	2018
Wisconsin	SHERWOOD	STOCKBRIDGE	784
Wisconsin	SHERWOOD	TISCH MILLS	692
Wisconsin	VALDERS	COLLINS	337
Wisconsin	VALDERS	ST NAZIANZ	843
Wisconsin	VALDERS	VALDERS	1354
Wisconsin	VERONA	MT VERNON	593
Wisconsin	VERONA	NEW GLARUS	2182
Wisconsin	VERONA	VERONA	9216
Wisconsin	VESPER	AUBURNDAL	1854
Wisconsin	VESPER	CRANMOOR	499
Wisconsin	VESPER	JUNCTION CITY	1746
Wisconsin	VESPER	LINDSEY	1131
Wisconsin	VESPER	MILL CREEK	266
Wisconsin	VESPER	NECEDAH	2785
Wisconsin	VESPER	PITTSVILLE	1779
Wisconsin	VESPER	VESPER	1004
Wisconsin	WATERFORD	WATERFORD	7245
Wisconsin	WATERFORD	WIND LAKE	3439
Wisconsin	WAUNAKEE	WAUNAKEE	8308
Total Wisconsin Access Lines as of April 2001			107,105

